

4-8-2009 NJHMFA Bulletin - New HMFA Subordinate Mortgage Program - First Time Home Buyers Tax Credit Loan Program ("TCLP Prefund")

First Time Home Buyers Tax Credit Loan Program ("TCLP Prefund")

The HMFA has approved a program to loan eligible First Time Home Buyer Program borrowers up to \$5,000 (or up to 10% of the purchase price if less) in anticipation of receipt of a federal refundable tax credit shortly after filing of their tax return. Details about the "TCLP Prefund" program are set forth in the First Time Home Buyers Tax Credit Loan Program Prefund Term Sheet.

Important Considerations:

- 1) The TCLP Prefund is only available with a HMFA Home Buyer Program First Mortgage (it can be combined with Smart Start).
- 2) The TCLP Prefund should not exceed the amount of federal tax refund that the Borrower in good faith anticipates receiving. Guidelines for helping the Borrower determine the amount of the federal tax refund are included below. The TCLP Prefund loan application will be submitted to the HMFA Single Family Division for determination of the maximum loan amount and commitment along with the Home Buyer Program mortgage application.
- 3) The participating lender will fund the TCLP Prefund loan and the HMFA will purchase the loan along with the first mortgage loan.
- 4) The home must be "closed" between the start date of the program and December 1, 2009.
- 5) TCLP Prefund is a LOAN that will be secured and must be repaid.

Guidelines for estimating the Tax Credit Refund and TCLP Prefund loan amount:

Married filing separately are entitled to no more than \$4,000 per filer and no more than in the \$5,000 aggregate for both.

Borrowers with Modified Adjusted Gross Incomes between \$75,000 and \$95,000 will be eligible for a TCLP Prefund up to prorated amount calculated in accordance with IRS Form 5405.

Borrowers whose tax withholdings are likely to equal or exceed their full federal tax obligation for the tax year and who have no outstanding taxes or penalties to off-set are eligible for the maximum TCLP Prefund. Borrowers who are likely to owe taxes of more than \$3,000 will have their TCLP Prefund amount reduced by the amount owed over \$3,000.

This memorandum contains advisory, consultative and deliberative material and is intended only for the person(s) named as recipient(s).